



Round Table

EU FUNDS AND THE PATH TO GOOD GOVERNANCE IN BULGARIA AND ROMANIA: LESSONS LEARNT

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Center for the Study of Democracy

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Ten years after the accession of Bulgaria and Romania to the EU, the challenge of corruption continues to define the two countries' status within the Union. The Round Table will look at the dynamics and evolution of EU funding, provided to the two countries in pursue of greater anticorruption progress and good governance reforms. What has been the impact of the EU financial support on governance and to what degree it has produced tangible results against corruption? Have EU funding rules contributed to greater transparency and efficiency in the public procurement process? Have EU funds been prioritized and committed to fighting corruption and related organized crime and to delivering judicial reforms? What are the lessons learnt and the way forward? What can Bulgaria's experience teach the EU in improving its Enlargement and neighborhood policies in the Western Balkans and in Ukraine? The round table will present the results and recommendations of research from [ANTICORRP](#), the biggest corruption-related research effort in social sciences and humanities in the history of EU in Bulgaria, Romania, Hungary, and Ukraine.

The systematic effects of corruption remain the number one problem, not only in terms of financial losses but also in light of the inability to deliver sustainable good governance reforms in Bulgarian and Romania. Romania has recently been lauded for demonstrated civil energy and will power in the fight against corruption but sustained results that change people's lives remain unclear yet. At the same time Bulgaria has continued to wander between promises of reforms and lack of tangible results, which has led to higher citizens resignation and sustained low trust in institutions. The two country's struggle with finding and enforcing solutions to their governance problems have been exacerbated by the weakening of EU conditionality, internal policy cohesion, and moral authority in the EU. The low point of this trend has been the scraping of the EU Anticorruption Report announced by the EC in the beginning of 2017, which had been meant to provide common standards and benchmarks for governance for all EU countries. This threatens to reduce the EU's impact and pull in the Western Balkans and in Ukraine with further negative effects.

An overview of the provided EU financial support for anticorruption-related actions since 1998 points to the fact that, irrespective of the actual amount of the overall EU financial support through the years, Bulgaria seems to devote attention and resources to anti-corruption commitments only when approaching a major EU conditionality milestone. Pre-accession, the allocation of anti-corruption-related support grew on two occasions – at the very beginning of the PHARE programme and just before signing the Treaty of Accession in 2005. Post-accession, action through Operational Programme Administrative Capacity (OPAC) and the 2007 Transitional Facility peaked just prior to 2010, which coincided with the expiration of the Cooperation and Verification Mechanism's (CVM) safeguard clauses. Notwithstanding these trends, Bulgaria seems to have allocated limited resources to the priority area of anti-corruption, provided

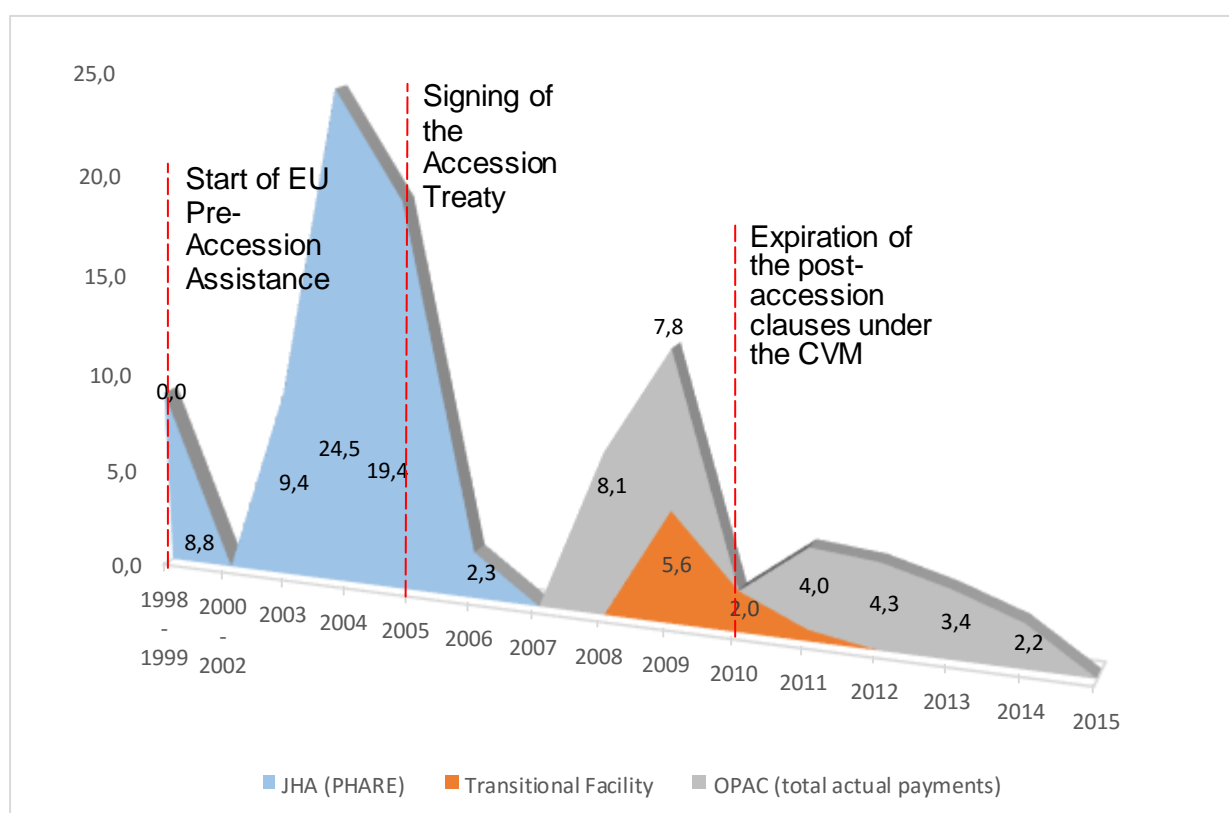


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the stated very high importance of the domain for the country's accession and membership. Although the EU never formally linked EU assistance to progress on anti-corruption, the disbursement of funds has tended to peak around these critical deadlines during and post the accession progress. It is also these milestones (notably the accession treaty in 2005 and the expiration of the CVM safeguard clauses in 2010), which marked the lowest levels of corruption experienced by Bulgaria's citizens, as evidence by data from CSD's *Corruption Monitoring System*. This suggests that the combined effect of EU anti-corruption conditionality and development assistance on governance in Bulgaria was positive - but temporary. On the other hand, the continued existence of the CVM mechanism in Bulgaria in 2017 is testament to the fact that the country has not yet achieved EU standards in governance, and is yet to demonstrate a satisfactory track record of anti-corruption and judicial reforms.

Dynamics of the overall provided support for anticorruption-related actions to Bulgaria during the 1998-2015 period (actual EC payments, EUR million)



The positive: It should be noted that EU funds have had a positive impact upon Bulgaria's overall administrative capacity, including increased efficiency, transparency and data accessibility. These in turn allowed for opportunities for greater public scrutiny and independent monitoring. Research from the Center for the Study of Democracy reveals that public procurement with EU funds is, on average, bears four times less risk of corruption than contracts, exclusively financed by the national budget. Significant challenges however remain as to effectiveness, impact and purposefulness of the EU-funded projects. The 2014-20 European structural and investment funds programming period introduces a more concrete regime of conditionality for EU member states but it is too early to tell whether notable results will be achieved.



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The negative: EU funding support in Bulgaria proves inconsistent with the recommendation of post-accession monitoring. Although the CVM progress reports have stayed negative, funds allocated to relevant projects have dropped since around 2010, when the safeguard clauses expired. A more detailed look on the project level confirms a growing inconsistency between relatively little anti-corruption-related support through EU development assistance, on the one hand, and CVM recommendations that further progress is required, on the other. After 2009, the EU financial resources allocated for anti-corruption, judiciary, transparency and good governance projects decreased significantly. It remains to be seen whether these will pick up within the new finance period 2014 – 2020. The lack of progress in the areas of anti-corruption and judicial reform in Bulgaria, despite the presence of EU conditionality and development assistance, point to the fact that the country lacks genuine political will and commitment to undertake reforms but also highlights EU's inability to influence more effectively change in member-states. Nor have EU mechanisms for providing assistance and enforcing conditionality been adequately targeted or enforced to motivate officials to summon greater political will or make consistent efforts to overcome entrenched malaise in this area.

The experience of Hungary and Ukraine

Contrary to Bulgaria, research from Hungary shows that despite the strengthened oversight mechanisms and additional transparency requirements, public procurement contracts financed by EU Funds carry higher corruption risks in Hungary than contracts funded exclusively from national resources. The negative effects are largely attributable to overly formalistic compliance with prescriptions rather than a genuine improvement in competitive outcomes such as the number of bidders. These effects appear the most clearly in public organisations where EU Funds represent the overwhelming majority of organisational procurement spending. In Ukraine anti-corruption is not just a set of technical tools, but a complex political exercise in modernisation that mobilises key resources and different categories of actors. Historically, the international community's concern with good governance in Ukraine has been materialised in the form of numerous anti-corruption conditions attached to transnational aid flows. Despite important improvements at institutional levels, the local practices and everyday routines have not changed fundamentally.

The way forward: Lessons learnt for the Western Balkans and Ukraine

The experience of Bulgarian, Romania and Hungary shows that external pressure on part of the European Commission for fostering anti-corruption reforms has decreased after EU accession and even further after the EU was hit by a series of internal and external crises after 2008. These developments leave civil society in the countries as the most important pressure tool for advancing good governance and anticorruption. The recent events in Romania demonstrated that this approach is effective but it requires early start and sustained vigilance to produce results. While in the case of Romania citizens have become accustomed to more effective anti-corruption measures against political corruption during the past several years and today feel the need to defend it, Bulgarians are yet to witness any significant consequences for acts of grand and/or political corruption. The EU would need to both strengthen its internal mechanisms for benchmarking and policy-making in the area of good governance and anticorruption but also its external instruments. It should use conditionality tied to financial support based on a common system of monitoring and evaluation of progress. The enlargement process has been more effective when there have been more clearly expressed political goals enhanced by the EU financial support. The EC should also reach out and support directly civil society in its efforts to improve governance in candidate and neighborhood countries.

